

FOOD & BEVERAGE PROCESSING

Sector Profile



Sector Facts and Figures, 2016

| | |
|---|----------------------|
| Total Sales | \$114 billion |
| Total GDP <i>Share of Canadian GDP</i> | \$30 billion 1.8% |
| Total Exports | \$33.6 billion |
| Total Imports | \$33.7 billion |
| Foreign Trade Balance | -\$67 million |
| Total Employment <i>Change since 2007</i> | 259,000 -0.1% |
| Average Hourly Wage (Excluding overtime) <i>Inflation-adjusted change since 2007</i> | \$20.39 -11% |
| Productivity Growth 2007-2016 | -8% |
| Average Work Hours/Week (Excluding overtime) | 35 |
| Average Overtime Hours/Year | 110 |
| Union Coverage Rate (Approximate) | 32% |
| Unifor Members in the Industry | 9,700 |
| Share of Total Unifor Membership | 3% |
| Number of Unifor Bargaining Units | 96 |
| Average Bargaining Unit Size | 101 |

Source: Cansim; Unifor Research Department.

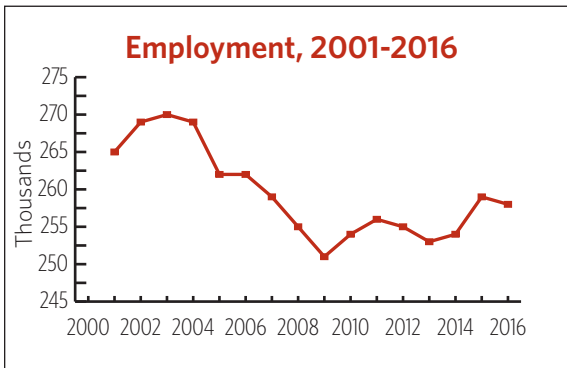


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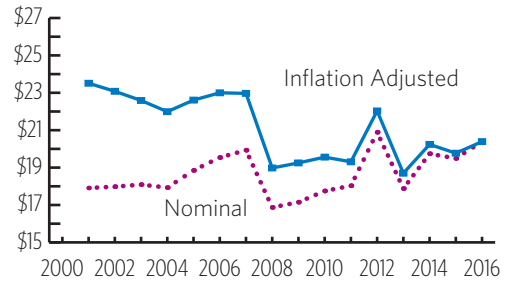
Current Conditions

Food and beverage processing is one of the largest manufacturing sub-sectors in Canada. The industry racks up \$114 billion in annual sales, it adds \$30 billion to Canadian GDP and it employs nearly 260,000 people. The food manufacturing industry is facing persistent global competition and is continuously seeking ways to re-structure or consolidate operations in order to curb rising costs. As a result, many Canadian firms have shut down operations or have relocated to foreign jurisdictions.



While this segment of Canadian manufacturing fared better than other manufacturing industries in terms of employment, the combination of an over-valued loonie and the Great Recession of 2008-09 took its toll. Between 2006 and 2014 there were a total of 143 food plant closures across the country, resulting in the loss of nearly 24,000 jobs. However, during that time 63 new manufacturing plants were created, while another 67 firms

Average Hourly Wage, 2001-2016



announced major investments. As a result, both industry revenues and employment have experienced something of a recovery. Employment is up 7,000 positions since 2009.

This industrial turmoil is apparent in the evolution of hourly earnings. At \$20.39, wage levels in this industry are 13 per cent below the Canadian average. And even though hourly earnings have risen over the past decade by one dollar in nominal terms, when we adjust for inflation wage levels are 11 per cent lower today than in 2007.

Well over half (65 per cent) of food processing occurs in Ontario and Quebec. Meat, dairy, and beverage manufacturing constitute the bulk of domestic food and beverage sales in Canada. Food and beverage exports remain vital to the industry and comprise nearly 30 per cent of all food and beverage shipments. Between 2007 and 2016 exports increased by 80 per cent, having reached \$33.6 billion in 2016. The U.S. is by far Canada's largest export market, accounting for more than 70 per cent of all processed food and beverage

exports. And while Canada experienced years of positive trade balances in food and beverage products between 1995 and 2009 (peaking at \$5 billion in 2004) it has seen yearly declines in its trade balance, mainly due to rising U.S. food imports. The trade deficit reached a high of \$1.4 billion in 2014, though by 2016 the trade deficit had shrunk to \$67 million.

Unifor in the Canadian Food & Beverage Industry

The 9,700 members that make up Unifor's Food & Beverage Processing industry are distributed across 96 bargaining units, with nearly 60 per cent stationed in Ontario and a further 25 per cent working in the Prairie Provinces and British Columbia.

Some members work in bottling and canning facilities, including beer and spirits, while others work in bakeries, cheese production facilities and in catering services, for example.

| Select Unifor Employers | Approx. # Members |
|-------------------------|-------------------|
| Coca-Cola | 1,100 |
| Saputo Foods | 670 |
| PepsiCo Foods | 530 |
| Nestle | 520 |
| Black Diamond Cheese | 500 |

One-third of Unifor's membership in this industry works for the one of the five largest employers. Coca-Cola is the single largest employer, while Saputo Foods, PepsiCo Foods, Nestle and Black Diamond Cheese round out the list of largest employers. The largest bargaining units outside of Ontario include CLS Catering Services in British Columbia (425 members) and Gate Gourmet in Quebec (315 members).

Moving Forward: Developing the Food & Beverage Industry

Canada's dairy supply management system continues to remain a contentious trade policy issue among its trading partners. Despite Unifor's support for this system—which ensures fairness for dairy farmers, processors and consumers—many countries (notably the United States) have launched formal complaints that Canada's policies are undermining their dairy exports. It is anticipated that this issue will be raised in upcoming NAFTA re-negotiation discussions.

As Canada continues to negotiate international trade agreements, this will continue to have an impact on the food and beverage processing industry. The recently signed trade agreement between Canada and the European Union (CETA) is anticipated to negatively affect Canada's dairy industry, primarily through increased

European imports. In response, the federal government announced the creation of two programs worth \$350 million dollars to assist dairy farmers in preparing to better compete under the Canada-EU trade deal.

Food and beverage manufacturing is an industry highly concentrated in the hands of large multi-national corporations. For example, Nestle, Anheuser-Busch and Coca-Cola are the three largest food and beverage companies in the world in terms of revenue, profits, assets and market value. Increased consolidation and restructuring of manufacturing plants, along with investments in new technologies and automation, will impact this industry's workforce.

Major Sector Development Issues

- Canada needs a national agri-food strategy that leverages competitive advantages with a view to winning new investment and boosting job creation, skill development and exports.
- Canada's supply-management system has provided stability and financial viability to dairy farmers for decades and must be defended.
- The CETA (and similar trade liberalizing agreements) should have explicit provisions that promote balanced, two-way trade between Canadian food & beverage producers and European producers.
- Further consolidation of the food & beverage industry should only be permitted if investment and job creation guarantees are attached to major corporate takeovers or industrial restructuring plans.



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